



## **Forestry Sector Reform in Georgia<sup>1</sup>** **Irakli Macharashvili<sup>2</sup>**

### **Introduction**

Georgia has a great variety of woodland habitats. National forests total about 3 mln hectares, or some 40% of the country's entire territory. (This data is provided by official sources. Due to the following reasons, however, it's not quite reliable: forest boundaries have not been demarcated yet, the National Forest Inventory has not been updated for quite a long time, and the data includes territories of Abkhazia and South Ossetia). Excessive and uncontrolled logging has reduced the average crown cover to a critical level. The percentage of the woodland areas where the crown cover has been already depleted below the critical level has reached 55% of the national total. ("Georgia's biodiversity Strategy and Action Plan", endorsed by the Georgian government's Decree 127, 18 February 2005 ). At the same time, some primeval, high conservation value forests remain intact in Georgia. Along with some other oldest ecosystems in other parts of the globe, they represent one of the last remaining intact forests in the temperate zone of earth. Georgian forests play a vital ecological role at local, regional, and global level and have significant historical, aesthetic, spiritual, cultural, and social-economic value. Rural communities are almost entirely dependent on forests (for firewood, timber, etc).

Deforestation and forest degradation is a very painful theme in the Georgian society. The Georgian timber industry has long been one of the most corrupt sectors of the national economy. Since the 90s of the last century there have been repeated calls for reforms in this field but to no effect – neither coherent policies nor real reforms have been ever implemented in this sphere so far.

So, one of the main aims of the national environmental policy must be, on the one hand, to preserve and conserve the country's forests as natural and historical-cultural elements of the nature and, on the other hand, to make the forest resources available to the public and properly tax the timber industry incomes. In other words, it is necessary to strike a fine balance between ecological sustainability of the forests and developmental needs of the nation.

### **The History of Forest Management in Georgia**

In pre-Soviet times Georgian forests used to be in state, private, church, and communal (i.e. belonged to different villages, households or families) ownership. Many valuable species of trees (relic and endemic species such as walnut, yew, Colchian Box tree, etc) were felled on a large scale and exported from Georgia for decades when the country was collective farm forests.

Post-Soviet Georgia saw a massive deforestation and forest degradation caused mainly by the political and socioeconomic crisis, rampant crime, and widespread corruption. Former collective farm forests suffered the most extensive damage, as their ownership was unclear, while control and management were totally absent.

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Old Soviet-style forest management policies and practices were widely used in 1992-98. At that time administrative bodies performed functions of an enterprise on the one hand, and were simultaneously subsidised by the state on the other hand.

The Forest Code (FC) of Georgia was adopted in 1999. It deprived forestry services of commercial functions and delegated the timber production rights to private companies. Forest privatisation was legalised in the country through adoption of a special law. Local self-governments were also granted forest management rights. So far, however, little has been done to privatise forests or decentralise the forest management system. The FC legalised short-term (up to one year) and long-term (up to 20 years) forest management licenses for the following types of forest use: logging and timber production, forest farming, game hunting farms, non-timber forest resources, special utilisation cases (for instance, development of natural resources in woodland areas), etc. Priority was given to long-term licenses and to the non-logging forms of forest use.

The State Forestry Department was in charge of national forests in 1999-2004. It was also authorised to issue logging and timber export licenses, to sign contracts, etc. The Ministry of Environment Protection and Natural Resources was involved in the implementation of the national forest policy and had the authority to license game hunting farms.

Since 1991 illegal logging reached an unprecedented scale. State Forestry Department set the upper limit to the annual volume of logging in the country at 780,000 m<sup>3</sup>. In reality, however, according to various sources (governmental officials, international and local organisations), from 2,500,000 to 6,000,000 m<sup>3</sup> of timber were logged in the country every year. Illegal logging and timber production was a well-planned and organised business in which many highranking governmental officials had a stake, while ordinary residents were employed as labourers in the timber industry.

In the post-revolution period, after 2004, the government's structure has been reformed. Although the reforms can be assessed positively, they have not been followed yet by respective amendments to the legislation and regulatory legal acts. This period saw a lot of institutional, legislative and personnel changes induced by the government's determined effort to liberalise the national economy and increase budgetary revenues as much as possible. Legislative changes were implemented without consultation with major stakeholders and were far from transparent. Besides, opportunities were curtailed for raising public awareness of the problem and giving the public a voice in the decision-making process.

In 2004 the State Forestry Department was incorporated into the new Ministry of Environment Protection and Natural Resources and was stripped of the authority to issue licenses.

In 2005 the parliament passed the law on "Licenses and permits", which abolished the old forest use licenses and replaced them with the following ones: general license, special logging license, and special game hunting farm license. Under the law the new Forest Use Licenses are to be auctioned.

Afterwards, there were no major reforms in the national forest management system until 2007. Since the adoption of the FC, the short-term (one-year) logging license was the most commonly used one. At that time the situation in the national forestry sector can be briefly described as follows: the management system was based on old Soviet-time forest farms, which used to rely on the central government's subsidies and were artificially tailored to the market requirements; no preventive measures were taken against forest diseases and forest fires; forest restoration and development programs had come to a standstill; forestry services were understaffed and underpaid; few efforts were made to monitor the forests and prepare the national forest inventory and cadastre – as a result, there was no reliable and complete data on the available timber resources, ecological problems in forests, and the scale of illegal logging; forest farms did not have their own budgets; the existing management scheme and legislation provided fertile ground for corruption; certain groups continued to make huge profits from producing/exporting timber; control mechanisms were rather weak. These problems were eroding the forestry management system on the one hand, and contributing to the steady degradation of forest ecosystems on the other hand.

In 2007 the government launched a large-scale national forestry sector reform based on the concept that the state should cede responsibility for forest management and maintenance and retain only forest licensing and control functions. Most of the forests were supposed to be leased on the basis of long-term licenses – the

maximum license term was to increase from 20 to 50 years. Part of the State forests were expected to be handed over to local selfgovernments in order to give rural communities access to forest resources. Certain forest areas were given to the Georgian Orthodox Church.

In reality, however, none of these reforms was implemented except that the Forestry Department was restructured and reorganised: job cuts were carried out in its central office, while the forest farms were disbanded and their territory was divided among 10 newly created regional forestry departments. In all more than 1,000 jobs were slashed in the FD – this measure helped increase the average forester salary to 400 GEL a month. Today each forester is responsible for about 5,000 hectares of forest. Despite such large areas of responsibility the foresters have neither special equipment nor any means of transport. People without adequate training and qualification were promoted to key positions in the FD. As the “reform” was ill-planned, several vital components – functional differentiation of forests, development/ harmonisation of the national legislation, and transfer of forest management rights to local self-governments – were never implemented. At the same time, 20-year logging licenses were put up for sale.

In March 2008 the authority to issue Forest Use Licenses was transferred from the Ministry of Environment Protection and Natural Resources to the Ministry of Economic Development. Twelve special long-term (20 years) logging licenses were auctioned by March 2009: one in August 2006, two in May 2007, and nine in October 2008 (one 2007 license was cancelled for breach of licence terms and conditions). Six licenses (that cover more than 75% of the licensed timber production) were purchased by the Georgian-Chinese joint venture “Georgian Wood and Industrial Development Co., Ltd”, which was the only bidder at the respective license auctions. The administration of the company includes many former high-ranking officials of the Ministry of Economic Development and Forestry Department.

All Forest Use Licenses auctions were marked by breaches and irregularities. For instance, citizens did not have much say in the decision-making process; license terms and conditions, including logging quota, often did not comply with the law and took no account of anti-deforestation measures; logging licenses were auctioned without preliminary environmental impact assessment ( These breaches are documented in the first 2008 six-month report of the Ombudsman of Georgia ([www.ombudsman.ge](http://www.ombudsman.ge)) . Worse still, in 2006 and 2007 logging was licensed even in high conservation value forests and ecologically sensitive woodlands. It is also unclear what procedure and methodology was used to set the starting price at these auctions.

Due to strong public outcry the biggest logging licenses auctioned in February 2008 (covering 364,262 hectares of woodland) and December 2008 (covering 165,752 hectares of woodland) were revoked.

## **The National Forest Management Policy and Forestry Sector Reforms**

Forestry reforms have been high on the agenda in Georgia since the late 90s of the last century. After adopting the new constitution and laying the groundwork for legislative amendments, the government made first steps to reform the former Soviet forestry services to make them compliant with market requirements. Namely, the World Bank-funded “Forestry Development Project, Georgia” began in the country. It aimed to improve the forestry management and ensure its institutional sustainability. The project was preceded by the adoption of a new national forestry code in 1999.

Repeated announcements were made in the following years about the start of “forestry sector reforms” and the development of forestry management policy papers. Every time the government was restructured and reshuffled, the content and main directions of the “reform” changed accordingly. Several draft project proposals on forestry reform concept and national forest management policy have been offered to date, but none of them has been approved so far. In fact, all of them were adapted in line with the government’s decisions on the forestry management and HR policy in the forestry services. Besides, the drafts were not prepared in a democratic and transparent way.

In 2008 the World Bank cancelled its “Georgia Forestry Development Project” because the Georgian government had systematically failed to fulfil the agreement with the WB, refused to take stock of the national forests, and did not develop a national forest management policy. As a result, the World Bank retracted more than 11

mln USD allocated to the project. No policy paper on national forest management policy has been prepared in Georgia so far, and the work in this direction has come to a standstill.

## **The Current Georgian Forestry Problems**

- The Georgian forestry sector is facing complex problems that involve economic, environmental, social and some other aspects. These problems are caused by different reasons: flaws of the legislation, mismanagement, lack of professionally trained cadre in the forestry services, conflict of interests, corruption, weak control, etc.
- The country still does not have a clear-cut and coherent national forest policy and strategy
- The current national forestry legislation, including forest classification and forest management regulations, remains imperfect and fails to ensure sustainable forest development. Respective laws, adopted at different times, often contradict each other.
- No inventory work has been carried out in native forests or woodland ecosystems in the last decade. In the auctioned forests the inventory have already expired. It means that investors get incomplete and incorrect data, and forest ecosystems are in danger as a result.
- A significant part of the high conservation value forests has not been awarded a protected area status yet. On the whole, the country's protected territories are too small to ensure biodiversity conservation and sustainable use. Logging licenses are sold without preliminary environmental assessment, while the environment-related license terms are not implemented in practice.
- No steps were taken to empower local self-governments with forest management rights, although the government promised to do so as early as in the first months of 2007. Most of the forests the government planned to cede to local self-governments have already deteriorated and nothing was done to make the inventory of the forests. Besides, local self-governments lacked financial, material-technical and human resources for successful forest management. The division of competencies and responsibilities between the local self-government and central government was unclear. That is why local self-governments refused to assume responsibility for the forest reserves.
- All national forests are still owned by the state, even though it lacks financial, material-technical and human resources to manage forestry services. Forest protection measures (forest restoration, forest disease treatment and management, prevention of forest fires, etc) are no longer implemented.
- Georgia fails to fulfil its international obligations under various international environmental and forest protection conventions and agreements. The Georgian government's such actions, understood as being motivated by private interest, are damaging to Georgia's international image. The political costs of these actions far outweigh a one-off financial gain for the country's budget.
- Public participation in decision-making is limited; decisions on logging licenses are not transparent and stakeholders (local communities, environmental NGO-s, research institutions) have no say in the process, though they should have it under the current legislation. These practices encourage corruption and fuel tensions in the society, as Georgian citizens can protect their rights and make their voice heard only through extreme forms of protest.
- Due to undeveloped legal procedures and institutional weakness of forestry services, local communities don't have adequate access to forest resources. Under such circumstances, selling forests to private investors stirs up public indignation.
- Obligations and responsibilities of license holders under the licence terms do not correspond with their rights, creating fertile ground for illegal backstage deals between authorities and logging license applicants. Another conflict of interest is that a license holder, i.e. a stakeholder, is authorised to make the forest inventory and set timber production

So the current forest management practice discourages healthy competition between timber industry players, hampers efforts to satisfy basic needs of local communities, and does not take into account environmental protection objectives. If the present tendencies persist, the scale of illegal logging may surge and reach the 1990 level, accelerating the pace of deforestation and leading, ultimately, to a rapid depletion of available forest resources, impoverishment of rural communities heavily dependent on these resources, negative geological process and, consequently, ecological migration and forceful relocation of the local population.

## **Analysis of Alternative Models**

When analysing the ways of reforming the forestry sector and available alternatives emphasis is usually laid on the experience of foreign countries. We think that more attention should be paid to sustainable forest management (SFM) and implementation of recommendations, connected with the ecosystem approach, from international conventions and agreements on ecological sustainability. The preferable model for Georgia is the one that can best suit the country's environmental conditions and forest management traditions, and ensure implementation of SFM on the basis of the ecosystem approach.

The modern definition of SFM is as follows: it is "the stewardship and use of forests and forest lands in a way, and at a rate, that maintains their biodiversity, productivity, regeneration capacity, vitality and their potential to fulfil, now and in the future, relevant ecological, economic and social functions, at local, national, and global levels, and that does not cause damage to other ecosystems". The SFM and ecosystem approach mean maintaining and enhancing the national forests for the social, cultural, environmental and economic well-being of all Georgian citizens, now and in the future.

Independent third-party forest certification is one of the efficient SFM mechanisms. In recent times EU countries and USA have paid much attention to the development of protected areas.

"Natura 2000" is an ecological network of protected areas on the territory of the European Union, which now incorporates more than 25,000 sites. Another ecological network – the so-called Emerald Network – is based on the same principles as Natura 2000, and represents its de facto extension to non-EU countries.

## **Conclusions and Recommendations**

All the above-described aspects lead to an obvious conclusion that the Georgian forestry sector needs immediate reforms at the political, legislative, and institutional level. The following steps must be taken to solve the above-specified problems:

1. The national forest management concept and policy should be developed with active participation of the civil sector and research organisations. It should be then approved by the parliament. The adoption of such a policy is vital, as it can ensure that the forest management policy does not change every time the government is reshuffled.
2. The forest management policy should be used as a basis for respective legislative and institutional reforms.
3. A new SFM-based national system of forest classification should be created (through respective legislative amendments), maybe in line with MCPEE (Ministerial Conference on the Protection of Forests in Europe ) guidelines, i.e. national forests can be divided into the following categories: protected, protective, and other wooded land (OWL). Even outdated forest inventories and other documents may be instrumental in carrying out the forest classification and identifying vital/critical protective forests and OWL. First of all, it's necessary to use forests with sufficient timber production potential to satisfy the needs of local communities (firewood and timber). Only excess timber resources should be auctioned to commercial companies.
4. The government must take stock of the national forests. The stocktaking will provide essential data for the forest use planning and will help authorities to make informed decisions about environmental problems and woo investors. The license terms should include the liability to pay the stocktaking costs).
5. Forest management rights should be turned over to local self-governments. Needs of local communities should be assessed realistically and must be consistent with the stocktaking results. It's necessary to create financial and legislative basis for SFM and ensure clear division of competencies between the central and local governments – without these preconditions the transfer of management rights to local self-governments will have negative, not positive, results. This aspect is closely linked to the democratisation process and the development of local self-government in the country. Besides, without real decentralisation there will be no feasible way to implement SFM in some of the country's mountainous regions.

6. During economic assessment of forest resources emphasis should be laid on their environmental value, which by far outweighs any profits from timber production. The development of high-quality Protected Areas is the best and most realistic way to preserve ecological functions of forests. To this end, the government must turn additionally at least 15% of the country's woodland into protected areas with high conservation status in the near future (nature reserves, national parks, natural monuments, habitat/species management areas – i.e. categories I-IV of IUCN Protected Areas Categories System). These protected areas should be established by a special statute. Until then forests with high conservation value must be declared "reserved protected areas" and timber production should be banned there. Georgia must fulfil recommendations of the European Union and join the European ecological networks of protected areas (Emerald Network, NATURA 2000).
7. Until the above-described measures are in place, long-term logging licenses and massive timber production should be suspended. This in no way means that basic needs of local communities can be ignored. Forest management rights can be sold to individuals only after all these steps are complete.
8. Forests with low conservation and commercial value that cannot be ceded to the municipal jurisdiction should not be neglected. To avoid a repeat of what happened in Baltic States and Eastern Europe at the start of reforms, when a large part of these countries' national forests was abandoned and left uncontrolled, it would be useful to set up a special national forestry agency and put it in charge of these forests. Besides, current territorial branches of the FD are unable to carry out some management functions, while the new national forestry agency will be in a good position to undertake these tasks. This measure also provides a solution to one of the long-standing problems – satisfying basic needs of local communities.
9. Apart from other forms of management, the government should restore private, church and communal ownership of forests. Regardless of the type of forest ownership or management, however, the rules of forest use should be the same in all forests of the country. The current forest management regulations need to be completely overhauled. All activities in forests should be supervised by certified foresters. The government should also impose technical environmental parameters for the timber industry and revise license terms and conditions on the basis of the ecosystem approach in order to ensure preservation and conservation of wildlife, SFM development, and attract investments. Special attention should be given to forest education. Stakeholders must have a voice in the decision-making process on forest-related issues.